

WAR ASSETS ADMINISTRATION
REGION 5
CHICAGO, ILLINOIS

STATISTICAL DIGEST

September 15, 1947

Prepared
by
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Statistics Branch

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Table 1
Operating Statement
Consumer & Capital Goods
January-August 1947

	<u>End of Month Inventory</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Recovery Rate</u>
	\$	\$	\$	%
January	308,887,000	2,627,000	37,438,000	26
February	318,538,000	29,167,000	19,515,000	21
March	308,477,000	12,362,000	22,147,000	22
April	306,313,000	20,623,000	22,786,000	18
May	284,432,000	-1,145,000	20,732,000	14
June	274,975,000	23,954,000	33,407,000	11
July	177,716,000	-70,024,000	27,234,000	14
August	242,052,000	83,660,000	19,320,000	16

Inventories

Region V's IBM inventory at the end of August was 36% higher than at the end of July. This increase was due mainly to a transfer of \$71 million of property from the suspense-inventory account into the IBM inventory account. The transfer occurred when accounting operations associated with the firming of this \$71 million of inventory were completed. On August 31, accounting operations on \$18 million of suspense inventory were as yet incomplete.

Net acquisitions in August, excluding the suspense-inventory transaction, amounted to \$12.5 million or 35% below July's acquisitions. Declarations of property to Region V (\$17 million) also declined for the second straight month. On the basis of data supplied by the Washington office, it is estimated that Region V's future acquisitions will amount, at least, to \$114 million.

Transfers of property out of Region V in August exceeded transfers into Region V by \$2.2 million--August being the sixth successive month in which transfers out have exceeded transfers into the region.

Movement of inventory within the region from owning-agency sites to WAA warehouses amounted to only \$4,000 in August. This was the smallest movement since last December and reflected a sharp decline from June and July when \$26 million of inventory was transferred.

Disposals

Disposals in August (\$19 million) were the lowest since last December. Transfers to the armed forces under the Janmat program (\$12 million) comprised over 60% of this \$19 million. Under the Janmat program only the custody of property is transferred to the armed forces, and the disposition of this property will not be complete until Congress approves the armed forces stand-by program. Until Congress approves, Region V remains accountable for this property.

Sales in August (\$5 million) were the lowest in the history of Region V. Two sales sections, machine tools and electronic equipment, accounted for 80% of this \$5 million. Notwithstanding this high percentage of total sales, machine-tool and electronic sales in August were the lowest since April.

In addition to sales of \$5 million through regular regional channels, Region V supervised sales by "industry agents" of \$9 million. Region V was not accountable for this inventory, which consisted of scrap electronic equipment, and Region V is not credited with these sales by the Washington office.

At the January-August rate of disposal, Region V would require 10 months to dispose of its present inventory plus an additional 4 months to liquidate acquisitions of property anticipated in coming months.

Targets

In August, Region V fell 50% short of the \$40 million disposal target set by the Zone office. Three of the other five regions in Zone 3 also failed to reach their disposal targets, but Region V's deficiency was greater than that of other regions with the exception of Louisville. Averaging the other five regions in Zone 3, disposals exceeded the target by 4%.

The September disposal-target is \$50 million. Region V will fall short of this target by a wide margin unless it disposes of a far higher percentage of current offerings than in past months. If Region V's September ratio of disposals to offerings merely equals the ratio of past months (25%), it would require offerings of \$200 million to reach the \$50 million September disposal-target. But on September 11, current offerings were only \$49 million, and 45 out of 68 sales sections had no current offerings at all.

Recovery Rate

The regional recovery rate increased to 16% in August, from 14% in July and 11% in June. Notwithstanding these recent increases, the over-all recovery rate is now only one-half the rate of a year ago. The recovery rate on scrap, however, has been higher in recent months than in past months.

Region V has realized higher recovery rates on its sales to veterans, federal government agencies, and foreign governments than on its sales to other classes of buyers. This condition is due partly to the fact that veterans and federal-government agencies often use their priorities to buy short-supply merchandise priced at a relatively high percentage of acquisition costs.

An analysis of recovery rates indicates that over-pricing may explain the failure of certain sales branches in Region V to achieve larger sales: (1) In the February-July 1947 period, Region V realized distinctly higher recovery rates and distinctly lower disposal rates on its sales of Industrial Machinery, Materials & Supplies, and Metals than did other regions. (2) The fact that Region V's recovery rate on regional fixed-price sales has been higher than has other regions' may account for the fact that relatively few fixed-price sales in Region V attain a disposal rate of 67%, the standard set by the Washington office. On the other hand, the fact that Region V has had a lower recovery rate on sealed-bid sales than have other regions may partly account for the fact that most sealed-bid sales in Region V have achieved disposal rates exceeding 90%.

Offerings

Regional offerings in August totaled \$76 million or 30% below average monthly offerings in the May-July period. Not one of the five regional sales branches offered as much as 50% of its firmed IBM inventory for sale in August, and Automotive, Hardware, & General Products offered only 5% of its firmed IBM inventory, and Materials, Supplies, & Metals offered only 6%. This low level of August offerings accounts in part for the record-low level of sales in August.

A failure to offer inventory for sale also explain the chronic low level of sales achieved by many sales sections in Region V. At the January-August rate of disposal, 15 sales sections in Region V would require over 3 years to sell their present IBM inventories. Yet, most other regions have maintained better-than-average disposal rates for these same 15 sales sections. Region V's poor sales record for most of these 15 sales sections can be attributed to the fact that over the past 8 months monthly offerings have been few in number and small in amount.

The low level of August sales was attributable also to the fact that over 80% of all offerings made in that month were continuous, fixed-price offerings, and this type of offering in the past has generally been the least effective of all methods of offering. In recent months the disposal rate on continuous fixed-price offerings has averaged only 10% vs. 90% for sealed-bid offerings and 50% for fixed-price offerings with definite closing dates.

Income & Expense

Table 2
Income & Expense
August 1947

Millions of \$

Total Income	
Capital & Consumer Goods Sales	\$0.83
Real Property Sales	1.68
Rents & Interest	0.24
Total	<u>\$2.75</u>
Total Expense	
Salaries & Wages	\$0.99
Warehouse Operation Costs	0.12
Rents & Utilities	0.10
Reimbursements to Owning Agencies	0.07
Miscellaneous Contractual Services	0.05
Broker-Dealer Agreements	0.04
Plant Clearance	0.03
Protection & Maintenance of Property	0.02
Travel	0.02
Other	0.03
Total	<u>\$1.47</u>
Excess of Income over Expense	\$1.28

Regional net income in August declined to \$1.3 million, the lowest on record; this record begins at January 1947. The decline in regional income arose from the low level of consumer & capital goods sales, August being the first month these sales have realized an income of less than \$1.0 million.

Regional expenses declined about 30% from July to August. Although a decline in salary and wage payments constituted about one-half the total decline, most major items of expense were lower in August than in July. Notwithstanding the substantial reduction in salary and wage payments, these payments, chargeable to the consumer and capital goods inventory, alone approximated the total income from consumer and capital goods sales in August.

Special items of expense apply to the handling and sale of surplus property so that a comparison of operating efficiency between Region V and related private fields of industry must be accepted with qualification. It is noteworthy, however, that, on the average, operating expenses in Region V are twice as high as in related private industries.

Table 3
Expenses as Percent of Income

	<u>Total Operating Expense</u> <u>÷ Income</u>	<u>Wages & Salaries</u> <u>÷ Income</u>
Region V, May-August 1947	47%	26%
Department Stores	28%	14%
Large Used-Machinery Wholesalers	27%	13%
Large Mail-Order Firms	20%	13%
Large Machine-Tool Wholesalers	16%	9%

Customer Service

Disposals through Chicago and Milwaukee Customer Service Centers in August amounted to \$4.4 million (acquisition cost). The Chicago Customer Service Center accounted for about two-thirds of this total and the Milwaukee Customer Service Center for one-third.

In terms of personnel employed and payroll costs, however, the Milwaukee Customer Service Center had a better record in August than did the Chicago Customer Service Center. Milwaukee had 9 disposals per employee, and payroll expense equaling 3.7% of the income from sales by this Center. On the other hand, the Chicago Customer Service Center had 2.5 disposals per employee, and payroll expense equaling 10.4% of the income from sales of this Center. All WAA Customer Service Centers, as a group, averaged in June, the latest month for which data are available, 22 disposals per employee and payroll costs equaling 3% of sales income.

The drop in sales by the Chicago Customer Service Center in August must be attributed partly to the change of location. During the first week of its location at Navy Pier, the Chicago Customer Service Center had 65% fewer visitors than it averaged weekly in July. Since then attendance has steadily increased, so that in the second week of September, this Center had only 10% fewer visitors than it averaged weekly in July.

Claims

Fewer claims were settled in August (275) than in any month since February. Fewer new claims were also received in August (203) than in any month since April, so that the total number of unsettled claims declined to 748 on August 31 as compared with 823 on July 31. Misrepresentation of property in selling and shortages in delivery accounted for 87% of the dollar value of all claims settled in August.

In addition to the 748 unsettled claims referred to above, Region V has more than 1,000 additional claims arising from customer over-payments. The Claims Division estimated that 3 months will be needed to eliminate this backlog.

Sales Document Backlog

The most serious backlog in the processing of sales documents in recent months has been in the Traffic Division. During the month of August this backlog was reduced to its lowest level since April 25, the date of the first backlog report. On August 29 this backlog stood at 1,429 documents as compared with 3,707 on July 31. Three warehouses--#4, #5, and #21--were responsible for 1,238 or 87% of this total backlog.

Personnel

Regional personnel on August 31 numbered 2,814 or 35% below the peak employment of last December. Both "Regular" and "Schedule A" employees declined in August, the total reduction amounting to 340 employees.

Machine-Tool Survey

A recent survey by Iron Age magazine should prove helpful to Region V in planning its future machine-tool sales. Iron Age in surveying 560 leading buyers of machine tools found:

- (a) 90% of these firms plan to buy \$72 million worth of machine tools in the next year. They expect to spend \$15 million or 20% of this amount for WAA surplus tools.
- (b) 80% of these firms have bought surplus machine tools from WAA in the past.

- (c) 56% bought from WAA in the past because surplus tools were readily available. 44% bought from WAA because surplus machine tools were attractively priced.
- (d) Over 60% of the firms surveyed felt that new machine tools were priced too high.

Outlook for Region V

Cashing of "G-I" terminal-leave bonds probably offers Region V its last big opportunity for substantial sales to veterans. In recent months sales to veterans have slumped drastically, net sales in the 6 months, February-July 1947, approximating only 12% of net sales in the 6 months, August 1946-January 1947. However, in the next few months veterans of Illinois, Indiana, and Wisconsin will cash an estimated \$135 million in terminal-leave bonds and many veterans will probably use this money to buy machinery and supplies with which to start their own businesses. The new, simplified veteran purchase-procedure is appropriately timed to encourage sales to veterans at this time, but, as of September 16, the Chicago Customer Service Center had no veteran-set-aside items for sale.

Middle-western farmers provide a substantial potential market for certain items in the regional inventory. Farmers normally buy 10% to 15% of all capital goods sold in the country, and farmers in Illinois, Indiana, and Wisconsin are now spending about \$75 million per month for machinery, materials, and supplies. Although much of these expenditures is for specialized farm equipment not available in Region V's inventory, farmers in these 3 states are spending about \$25 million per month for general-purpose capital goods which are available in the regional inventory, such as hardware, hand-tools, pumps, engines, generators, welding equipment, rope, paint, chains, and varied construction & maintenance equipment and supplies. Farmers in these 3 states are also spending about \$25 million per month for clothing and footwear, and could conceivably buy large amounts of Region V's inventory of clothing and footwear, especially for work around the farm and for hunting and fishing.

The prospects for the scrap-metal market are important to Region V's disposal plans because: (1) a substantial percentage of the present regional inventory may eventually have to be sold for scrap, (2) an even higher percentage of total future acquisitions may consist of property suitable only for scrapping. The outlook for the iron-and-steel scrap market continues good. In the past month, trading in this market has been light and prices have stabilized after declining slightly a month ago from their all-time peak in early August. September and October should be active months in the scrap-metal market since in these months mills customarily build up their scrap inventories for later use in winter months when inclement weather hampers the movement of scrap. Hence, the next month or two will probably be more propitious times for the sale of scrap than will the late-autumn and winter months to follow.